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Farm Protests Create Food Shortages in Argentina

by LADB Staff

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Farmers groups conducted large-scale blockades and demonstrations throughout Argentina in March and April, protesting export taxes and price controls. The protests, calling on President Cristina Fernandez to ease government restrictions on agricultural producers, exacerbated food shortages in Argentina for weeks.

The farming groups' protest constituted the first major domestic challenge to the Fernandez administration since she came to office in December. Export taxes hamper farming business, say strike leaders. Farm workers walked off the job in mid-March to protest a presidential decree raising export taxes on soybeans and other crops from 35% to as much as 45%. Fernandez asserted that new taxes were a way to share some of the farm sector's gains from soaring commodity prices with those less fortunate.

Soy-industry profits in countries like Argentina and Brazil have been increasing greatly, particularly as Chinese demand has expanded (see NotiSur, 2004-02-27 and 2004-05-28). Soy has overtaken beef as the number-one product of the Argentine countryside, driving beef prices up inside Argentina, which is a major problem in a nation where the population eats more beef per person than anywhere else in the world. A quarter of the country's 40 million people are still mired in poverty after a 2002 economic meltdown.

Booming agricultural production has helped greatly with Argentina's recovery, but it has also wreaked havoc with the nation’s problems with increasing inflation. Both the administrations of Fernandez and of her husband and predecessor Nestor Kirchner (2003-2007) have instituted price and export controls in an effort to make food and fuel more accessible to poor Argentines.

Fernandez said she instituted the tax on agricultural exports in part to encourage local producers to increase domestic supply, in turn driving down prices. But farmers insisted they were being forced to pay too much and left with too little in profits.

**Strike lasts 21 days, shortages last longer**

The longest farm walkout in Argentine history ended April 2, although farmers were threatening to resume highway blockades in 30 days if the government did not grant concessions on tax hikes that farmers say have reduced their profits to point where they can barely make a living. Interior Minister Florencio Randazzo said the government was interested in negotiating with the farmers who blockaded highways and triggered shortages before suspending their strike. But no talks started immediately.

"Surely we will create a space for dialogue," he said without elaborating. Cattle trucks returned to the main stockyard in Buenos Aires April 3 after the 21-day farm strike against the rising export taxes, but shortages of beef and produce remained a headache for consumers nationwide. The
Liniers stockyard received about 1,000 cattle April 3 and expected more than 10,000 head on the next day. But many butchers reported freezers still empty of beef as they waited for meatpacking plants to resume production across Argentina. Trucks carrying farm produce rolled freely again from countryside to cities, forming long lines at busy markets.

The BBC's Daniel Schweimler characterized the protest leaders as wealthy beef producers, saying the fight had pitted town against country and stirred up class conflict. He described blockade leaders as "well-groomed, well-fed men."

"The farmers have taken control of the Argentine countryside," wrote Schweimler in early April. "Not the farm workers who earn a pittance and cannot afford the time off to protest but the farm owners, the producers of prime Argentine beef, those who make this country one of the biggest growers of wheat and maize in the world and, increasingly, of soya."

The protests and shortages drove prices much higher, defeating the Fernandez administration's goals. Fernandez opposed the strikers vociferously, mobilizing crowds of her own and accusing the strike leaders of being greedy. This brought out wealthy urbanites, who generally voted against the current president, in support of the farmers and in defiance of Fernandez.

Even after the protests died down, the truce of early April appeared to be fragile, even as farmers prepared for talks. Argentine farmers were withholding some of their harvest as they waited for talks between rural unions and the government to begin, said Ricardo Baccarin, a grain trader at Buenos Aires-based brokerage Panagricola SAFICI. "The problem with the farmers remains," said Silvia Marengo, who manages US$130 million of bonds at Clariden Bank in London. "It's not clear that they will get an agreement. The government is very stubborn in its position."

**Inflation quickens**

Bloomberg reported that Argentina's inflation probably accelerated the most in more than a year in March after the strike led to shortages of milk, beef, poultry, and other food. The blockades led to higher prices of vegetables, dairy products, and poultry as supplies ran out. Food was rationed in some stores.

"Prices have been growing in all sectors in the past months, and the farmers' strike accelerated the process," said Ana Maria Luro, head of the Liga de Accion del Consumidor (ADELCO), a Buenos Aires-based advocacy group. Costs for carrots and tomatoes climbed as much as 52%, she said.

ADELCO said that a basket of 22 basic goods that includes bread, flour, pasta, cheese, and sugar, rose 37% in the past 12 months. Inflation was already a major political issue in Argentina, and led Fernandez's approval rating to fall to 47% from 54%, according to a Poliarquia Consultores poll conducted March 3 to March 11, before the start of the strike. The Instituto Nacional de Estadisticas y Censos (INDEC) reported April 10 that monthly inflation accelerated to 1% in March from half that rate in February, according to the median estimate of eight economists surveyed by Bloomberg. INDEC said annual inflation accelerated to 8.7% from 8.4% in February, according to the survey.
Inflation will probably continue to be the top difficulty for the Fernandez administration, particularly as world commodity prices continue their upward climb and as Argentine industry booms. Kirchner's administration faced a major controversy last year when he replaced officials at INDEC charged with measuring inflation (see NotiSur, 2007-03-02), leading many analysts to reject its contemporary estimates.

Economists such as Claudio Mauro at M&S Consultores, a research company with its own consumer-price index, say actual inflation is higher than what the government reports. They say the statistics agency has become less reputable since Kirchner changed personnel in charge of tracking inflation and installed political appointees. Kirchner has denied the allegations and said the changes were made to "improve operations."

"Our index shows an increase of 4% in March from February," Mauro said in a telephone interview. "Prices rose 3% before the strike, but shortages of some goods propelled inflation by another percentage point." Mauro said annual inflation accelerated in March to 22%, compared with 19.7% in 2007.

Some economists say more reliable government inflation figures can be found in a national consumer price index, a report from data provided by seven provinces and the city of Buenos Aires. Marcos Ochoa, a professor of macroeconomics at the University of Belgrano, in Buenos Aires, says provincial statistics are more reliable. A strong economy, high public spending, and rising wages mean it is "impossible to have an 8.4% annual inflation, as the index shows," Ochoa said in an interview. "As the government failed to control inflation, it's trying to control the indexes." Officials at INDEC declined to comment, citing internal policies.

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